

Monthly Estimates of Total Consumer Expenditures, 1935-42¹

By William C. Shelton and Louis J. Paradise

THE volume of consumer expenditures for goods and services is important in wartime for two reasons. It is important as a measure of the material welfare of consumers and also of consumer demand for the products of the economic system. At the present time, the emphasis is upon the demand aspect, since there is reason to fear that consumer demand will outrun supply and therefore bring great pressure on the price level. As more and more of our economic resources are devoted to the war effort, the level of living of civilians will be of greater and greater concern.

In order to provide information on consumer expenditures, the Bureau of Foreign and Domestic Commerce has undertaken to prepare monthly estimates for major groups of goods and services. Figures on sales of retail stores by kind of business, which are closely related to consumer expenditures for goods, were published in a previous article.² In the present article, monthly estimates are presented of total consumer expenditures, of consumer expenditures for goods and services, and of consumer expenditures for eight major groups of services.³ In addition, the relationship between sales of retail stores and consumer expenditures for goods is also indicated.

Table 1.—Consumer Expenditures for Goods and Services, by Years

[Millions of dollars]

Year	Goods	Services	Total, excluding gifts	Gifts	Total, including gifts	Total, excluding gifts, 1935-39 dollars
1929.....	44,207	24,546	68,842	1,783	70,625	56,198
1933.....	24,085	17,059	41,144	1,002	42,146	44,528
1935.....	31,160	18,715	49,875	1,068	50,943	50,841
1936.....	35,372	20,223	55,594	1,156	56,751	56,099
1937.....	38,585	21,700	60,284	1,268	61,552	58,699
1938.....	36,198	21,810	58,008	1,186	59,194	57,548
1939.....	38,542	22,393	60,935	1,104	62,039	61,303
1940.....	41,322	23,542	64,864	1,169	66,033	64,518
1941.....	48,621	25,207	73,828	1,164	74,993	70,111
1942 ^a	51,575	27,455	79,030	1,250	80,280	67,770

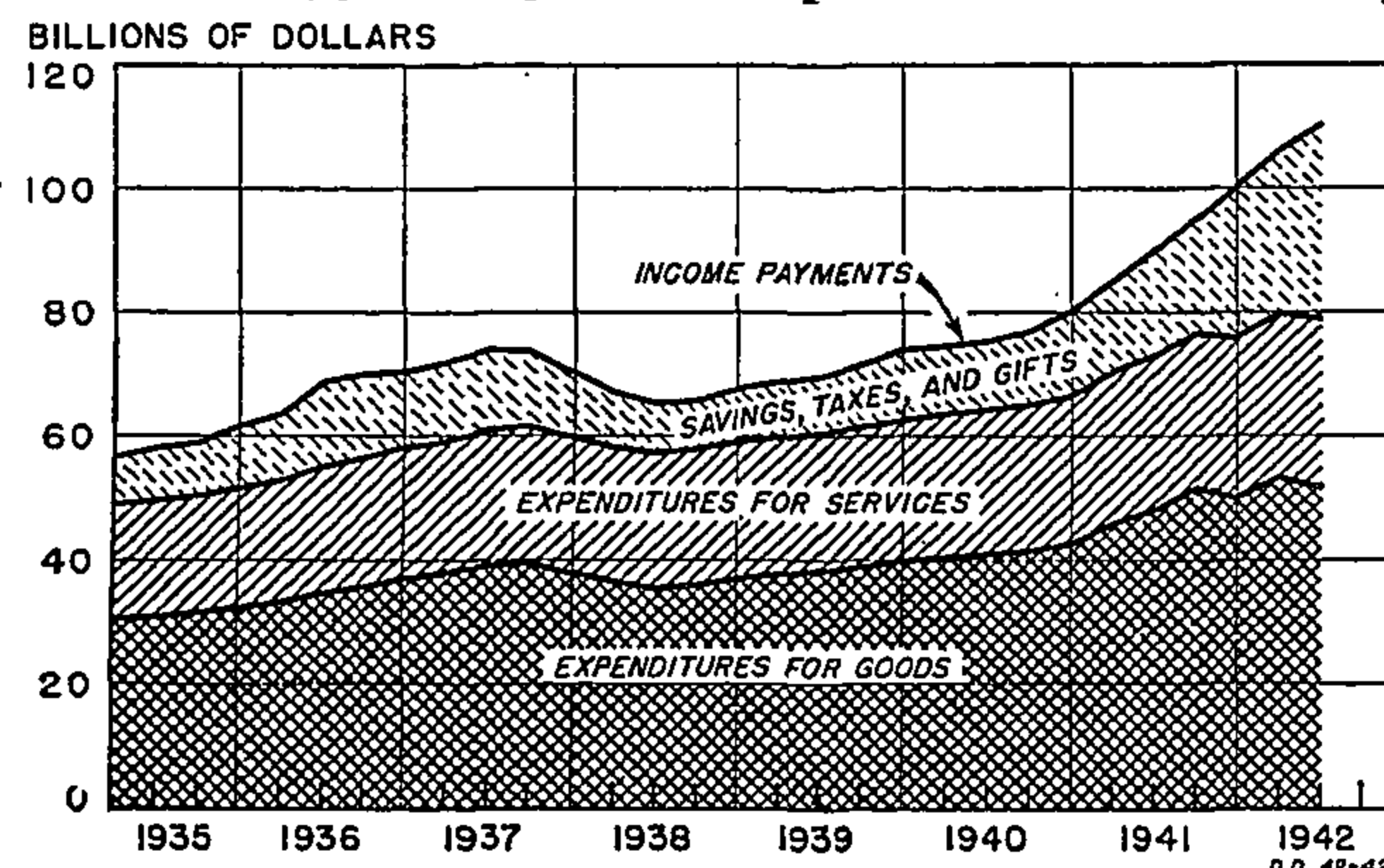
^a Preliminary.

Consumer Expenditures in Record Volume.

Despite the fact that this year has seen the conversion of many plants and whole industries to the production of war goods, the rationing of many civilian products, the restriction of consumer credit, and the

expansion of consumer savings in war bonds, nevertheless the quantity of physical goods and services purchased by consumers will exceed that of any other year except 1941. In fact quantity of consumer goods and services purchased this year will be only 3 percent below the record level of last year, and because of higher prices the dollar expenditures will be 7 percent greater—reaching a record 1942 total of 79 billion. What is equally significant is that the average quantity of goods and services purchased per capita this year will be almost one-tenth greater than that of 1929.

Chart 1.—Use of Consumer Income Adjusted for Seasonal Variations (Quarterly Totals Expressed at Annual Rate)



Source: U. S. Department of Commerce.

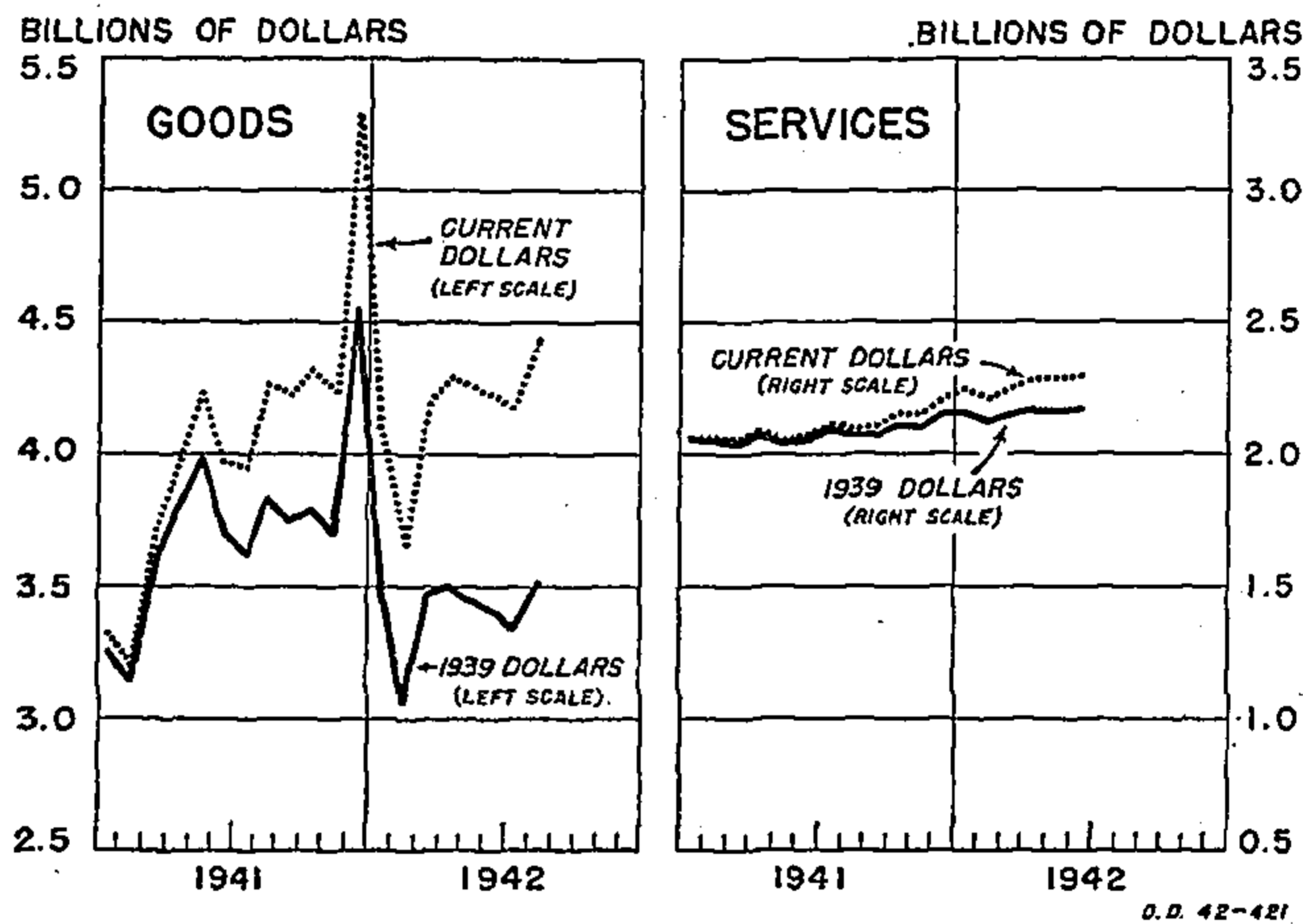
The conclusion to be drawn from this is clear. Except for a few rationed items, consumers are still able to satisfy nearly as much of their needs as ever. With income payments of 114 billion dollars this year, or 22 billions more than last year, consumers have more purchasing power than they ever had, despite the fact that their savings will be at record levels, and more of their incomes will go for taxes. Thus, the civilian level of living has been affected but little in the first full year of this Nation at war.

Two reasons account for this condition. The first is that stocks of consumer goods have been built up to unprecedented levels over the past year. Reduced new supplies of goods have recently been supplemented by withdrawal from inventories and thus most goods are still available in ample quantities. But more important than this is the fact that many plants are still producing nonessential civilian goods. Encouraging as the war production records are, the Nation is far from having achieved total mobilization of its resources for war. Many plants still continue to produce goods other than those necessary to meet war and essential civilian needs.

¹ Acknowledgment is made to Bernard Beckler, who assisted in the statistical part of this study.

² Monthly Estimates of Sales of All Retail Stores, 1935-41, *Survey of Current Business*, October 1941.

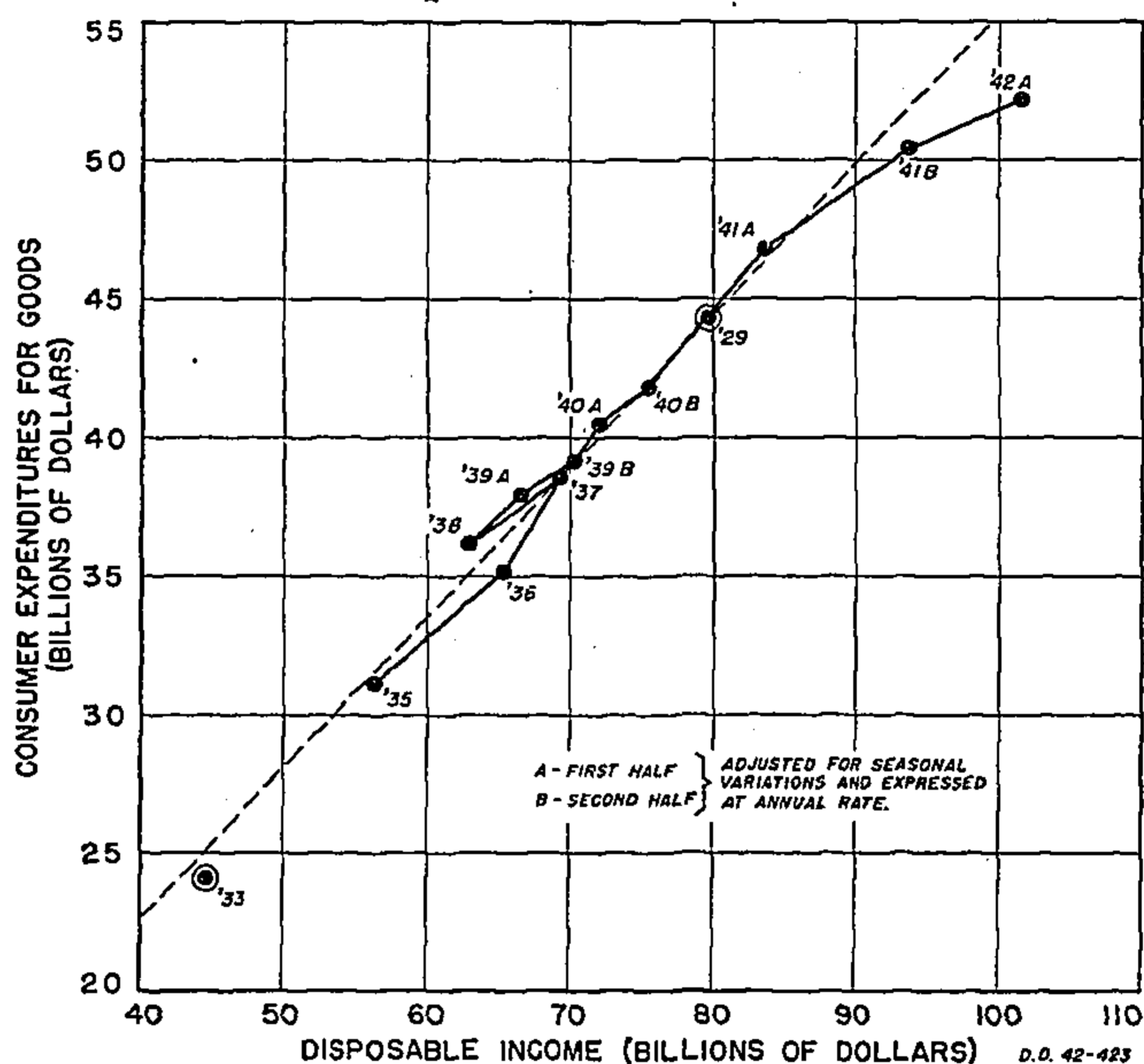
³ Consumer expenditures for major groups of goods will appear in a later issue of the Survey. More detailed annual estimates for five of the major groups of services appear in the article, Consumer Expenditures for Selected Groups of Services, 1929-41, in this issue.

Chart 2.—Consumer Expenditures for Goods and Services in Current and 1939 Dollars¹

¹ Data for Services subsequent to June 1942 were not available in time to include them in this chart.

Source: U. S. Department of Commerce.

It is not to be concluded from the foregoing that consumers are able to buy all of the goods which they normally would purchase on the basis of their disposable incomes this year. In fact with their 1942 disposable incomes, consumers would purchase about 59 billion dollars' worth of goods if they had followed the usual saving-expenditure pattern. See chart 3.

Chart 3.—Relationship between Consumer Expenditures for Goods and Disposable Income of Individuals¹

¹ Data for the last half of 1941 and the first half of 1942 were omitted in fitting the line of relationship.

Source: U. S. Department of Commerce.

Actually expenditures for goods this year will amount to about 52 billion dollars. The difference of 7 billion is accounted for by the fact that consumers this year will save about 7 percent more of their incomes than is normally the case in such forms as cash savings, War bonds, and reduction of outstanding debts. This is clearly seen in chart 1 which indicates the magnitude

of the expansion in direct taxes, gifts, and savings this year. The inability to purchase certain rationed goods such as automobiles, tires, and gasoline apparently was not compensated for immediately by the purchase of more of other commodities. Nevertheless quantities of goods purchased were still at high levels.

Table 2.—Monthly Indexes of Consumer Expenditures for Goods and Services, 1935-42

[Adjusted for seasonal variations; 1935-39=100]

Year and month	Goods	Services	Total	Year and month	Goods	Services	Total
1935:				1939:			
January.....	81.5	87.3	83.6	January.....	104.5	105.7	104.9
February.....	85.9	86.8	86.2	February.....	104.7	105.7	105.1
March.....	85.7	87.1	86.2	March.....	105.2	105.1	105.2
April.....	84.9	88.0	86.0	April.....	106.6	105.4	106.2
May.....	83.4	88.6	85.3	May.....	105.7	106.4	106.0
June.....	87.5	88.5	87.9	June.....	105.6	106.5	105.9
July.....	85.8	89.0	87.0	July.....	106.9	107.1	107.0
August.....	87.4	89.9	88.3	August.....	106.3	107.1	106.6
September.....	87.8	90.7	88.9	September.....	110.1	107.8	109.3
October.....	87.6	91.5	89.0	October.....	108.9	107.4	108.3
November.....	89.6	92.0	90.5	November.....	110.4	107.9	109.5
December.....	90.0	91.7	90.6	December.....	112.1	108.8	110.9
1936:				1940:			
January.....	90.9	92.0	91.6	January.....	111.1	110.6	110.9
February.....	91.9	92.0	91.9	February.....	111.4	111.6	111.5
March.....	93.6	93.2	93.5	March.....	113.5	112.2	113.0
April.....	94.7	94.5	94.6	April.....	111.1	110.9	111.0
May.....	96.7	95.7	96.3	May.....	113.1	111.3	112.4
June.....	98.7	96.1	97.7	June.....	115.2	111.6	113.9
July.....	99.7	97.1	98.7	July.....	113.8	111.8	113.1
August.....	99.9	97.7	99.1	August.....	117.2	112.8	115.6
September.....	99.4	98.4	99.0	September.....	113.5	113.3	113.4
October.....	101.6	99.5	100.8	October.....	113.5	113.2	113.4
November.....	103.0	99.4	101.7	November.....	120.3	113.4	117.8
December.....	103.4	100.3	102.3	December.....	120.2	114.9	118.2
1937:				1941:			
January.....	102.9	100.4	102.0	January.....	123.8	116.2	121.0
February.....	104.8	101.4	103.5	February.....	128.2	118.6	124.7
March.....	107.5	102.1	105.5	March.....	128.1	117.0	124.0
April.....	108.2	102.7	106.2	April.....	129.8	119.2	125.9
May.....	109.9	102.8	107.3	May.....	134.9	118.0	128.7
June.....	108.2	103.8	106.6	June.....	135.0	119.4	129.3
July.....	109.5	104.3	107.6	July.....	140.4	121.3	133.4
August.....	109.7	104.9	107.9	August.....	148.7	120.7	138.4
September.....	110.0	104.9	108.1	September.....	137.7	120.6	131.4
October.....	109.4	105.4	107.9	October.....	133.4	122.5	129.4
November.....	104.4	104.9	104.6	November.....	142.6	124.1	135.8
December.....	102.2	103.9	102.8	December.....	138.3	126.1	133.8
1938:				1942:			
January.....	102.9	103.6	103.2	January.....	151.1	126.6	142.1
February.....	100.5	103.4	101.6	February.....	145.9	127.0	138.9
March.....	99.7	103.0	100.9	March.....	145.3	128.4	139.1
April.....	99.6	103.6	101.1	April.....	143.7	129.9	138.6
May.....	97.7	103.3	99.8	May.....	143.5	131.2	139.0
June.....	98.0	103.6	100.1	June.....	142.0	131.8	138.2
July.....	99.9	104.3	101.5	July.....	148.5	131.5	142.2
August.....	99.3	104.1	101.1	August.....	155.5	132.0	146.8
September.....	100.2	104.5	101.8				
October.....	101.2	104.7	102.5				
November.....	103.1	105.3	103.9				
December.....	104.4	105.6	104.8				

Trends in recent months, however, clearly point to reduced supplies of goods available to consumers in the near future. The quantity of goods purchased by consumers has been declining steadily from the peak level attained in August 1941. As a result, the quantity purchased in August 1942 was 9 percent below this peak level. The quantity of services has been increasing steadily but in recent months at a declining rate.

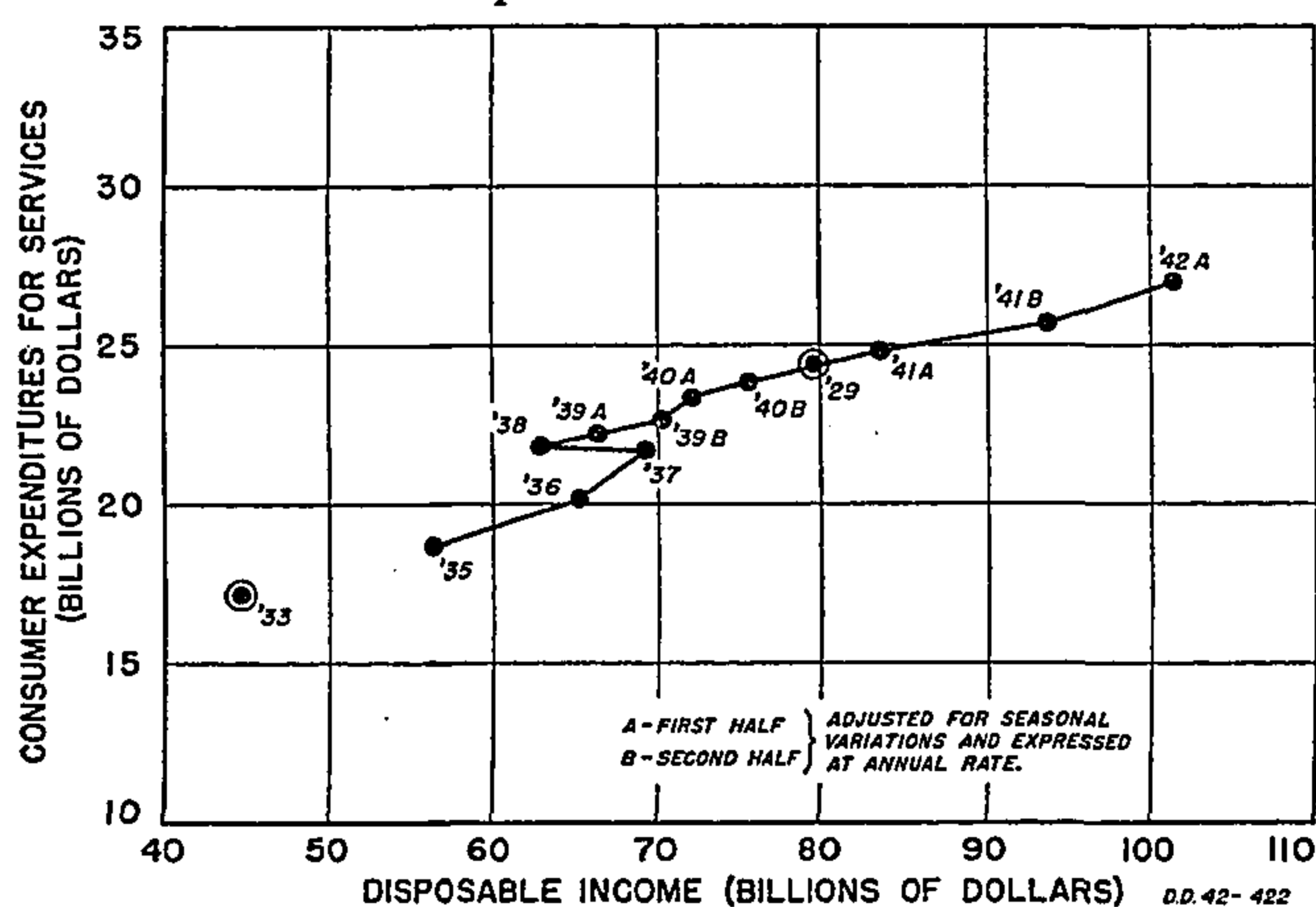
Strong evidence of the trend toward reduction in supplies is seen in the steady decline of wholesale inventories during the past 5 months—averaging 100 million dollars per month. Stocks of retail stores are also beginning to be depleted. With more and more of our resources being diverted for war purposes less goods will be available for civilian use so that distributors must continue to draw on irreplaceable stocks to meet heavier demands of consumers stemming from their

Table 3.—Consumer Expenditures for Services, by Groups
[Millions of dollars]

Group	1929	1933	1935	1936	1937	1938	1939	1940	1941
Housing.....	8,928	6,924	7,001	7,227	7,608	7,886	8,031	8,232	8,574
Home maintenance.....	1,663	760	1,056	1,225	1,430	1,362	1,397	1,512	1,548
Household utilities.....	1,920	1,807	1,880	1,959	2,035	2,102	2,187	2,321	2,444
Personal care.....	1,931	992	1,209	1,360	1,489	1,470	1,472	1,559	1,772
Transportation.....	3,306	1,745	2,003	2,266	2,427	2,293	2,394	2,352	2,589
Medical care and death expenses.....	2,784	1,812	2,089	2,313	2,456	2,454	2,572	2,766	3,014
Recreation.....	1,597	1,033	1,210	1,361	1,511	1,509	1,531	1,773	1,948
Other.....	2,417	1,986	2,268	2,513	2,743	2,733	2,809	3,024	3,319
All services.....	24,546	17,059	18,715	20,223	21,700	21,810	22,393	23,542	25,207

ever-increasing incomes. Thus, the need for the rationing of more goods and for taking strong measures to channel more of consumer spending power into savings and taxes is clearly indicated. This is the basic problem of the civilian wartime economy.

Chart 4.—Relationship between Consumer Expenditures for Services and Disposable Income of Individuals



Source: U. S. Department of Commerce.

What Are Consumer Expenditures?

Consumer expenditures are defined as outlays made by individuals for securing goods and services in order to satisfy their own needs and desires. In the present estimates persons living in institutional or quasi-institutional groups such as the Army and Navy are considered individuals insofar as they spend as individuals.

While the concept of consumer expenditure is fairly clear-cut, in practice arbitrary decisions must be made with respect to the inclusion or exclusion of certain consumer outlays. These decisions are followed in these estimates indicated below but are not to be construed as the final word on the subject.

Expenditures presented here exclude sales from one consumer to another, and thus the figures are those that would appear on the expenditures side of a consolidated income statement for all consumers in the United States. Illegal expenditures such as horse-race betting at "bookie" establishments and purchases of hard liquors in dry States are excluded.

Consumer expenditures include both cash purchases and purchases on open credit and installment accounts.

Payments on installment and open credit accounts are treated as savings.

Purchases of houses and other investments are treated as savings rather than as expenditures for current consumption and have been excluded from the estimates. Purchases of other durable goods, however, such as automobiles and furniture are included.

Sales taxes even when levied directly on the purchaser are classed as expenditures since consumer behavior is much the same as if the price were higher by the amount of the tax rate. Individual income, personal property, estate, inheritance, gift, and poll taxes, however, as well as automobile registrations and operators' licenses and hunting and fishing licenses are classed as direct personal taxes and are excluded from the estimates.

Religious and charitable contributions are outlays which do not constitute a material service purchased in the market and are excluded from the monthly estimates. For some purposes, however, it is desirable to include these outlays and they are shown as an additional item in the annual totals in table 1.

Tips given as payment for services rendered, however, are classed as a consumer expenditure.

Goods are defined as tangible commodities. In the present estimates, they include such things as meals and eyeglasses which have sometimes been treated as services. *Services* are items of expenditure for which no tangible commodity is received. In the present estimates they include several items which are border-line cases and might very well be included in the goods group, namely: Manufactured and natural gas, electricity, water rent, and repairs to automobiles and other consumer goods.

Certain nonmoney expenditures are included in the present estimates because they are included in the income payments series of the Bureau. These are: (1) The value of farm production retained for home use, (2) the value of food and housing received as wages in kind in productive enterprises, (3) the value of merchandise withdrawn by retail store owners for family use and not recorded as sales, (4) depreciation (but not rental value) of owner-occupied homes, and (5) rental value of rented farm homes.

Estimates of Expenditures for Goods.

As already indicated, the estimates of expenditures for goods are based principally on sales of retail stores.⁴ Table 4 shows in summary the deductions from and additions to sales of retail stores in order to arrive at consumer expenditures. For the years for which a Census of Retail Trade was taken, namely, 1929, 1933, 1935, and 1939, these deductions and additions were estimated in detail. The methods followed will now be briefly summarized.

⁴ Sales of retail stores appear currently on pages S-6 and S-7 of the *Survey*. For a description of this series see the *Survey of Current Business* for October 1941.

Table 4.—Sales of Retail Stores and Consumer Expenditures for Goods, Census Years

[Millions of dollars]

Item	1929	1933	1935	1939
Sales of retail stores.....	48,459	24,517	32,791	42,042
Less sales not constituting consumer expenditures for goods:				
Automotive stores ¹	3,672	1,310	2,263	3,125
Building materials and hardware dealers ²	3,348	1,147	1,570	2,338
Filling stations ³	635	580	723	1,077
Fuel and ice dealers ³	282	173	221	261
Feed and farm supply stores.....	904	374	558	725
Office equipment and supply stores.....	324	112	163	209
Retail stores not listed above.....	633	307	390	644
Total.....	9,797	4,003	5,887	8,378
Add consumer expenditures for goods not included in sales of retail stores:				
Construction materials ²	120	41	64	88
Other goods purchased from:				
Wholesalers ¹	411	440	360	515
Manufacturers ¹	1,226	741	806	759
Farmers.....	684	396	525	526
Coal mines.....	59	59	56	79
Service establishments.....	837	484	606	665
Government and nonprofit institutions.....	128	105	122	151
Sales taxes.....			(⁴)	392
Food received as wages in kind.....	158	104	138	166
Entrepreneurial withdrawals in kind ⁵	315	177	260	295
Farm production retained for home use.....	1,699	1,023	1,320	1,244
Total.....	5,635	3,570	4,256	4,879
Equals consumer expenditures for goods.....	44,297	24,085	31,160	38,542

¹ For convenience, consumer expenditures for new automobiles were estimated directly and treated as if all sales were made by retailers. The latter assumption does not affect total consumer expenditures for goods.

² Construction materials bought by consumers for repair of owner-occupied homes were not allocated as to place of purchase. All construction materials sold by retailers were deducted as nonconsumer sales, and consumer purchases of construction materials were added back in as a separate item of consumer expenditures for goods.

³ Fuel-oil retailers are included in filling stations in 1929 and 1933.

⁴ The Census of Business defined sales to include sales taxes in 1935.

⁵ Excludes food received by domestic servants and farm laborers since food furnished them is included either in sales of retail stores or in farm production retained for home use.

Deductions From Sales of Retail Stores.

A considerable proportion of retail sales do not represent consumer expenditures for goods. The deductions that must be made from sales can be grouped under four headings: (1) Sales of goods not for consumer use, such as building materials, trucks, farm machinery, feed, office equipment, and a considerable proportion of automobiles, gasoline, hardware, fuel, and ice; (2) trade-in allowances;⁵ (3) sales to other retailers for resale; and (4) sales of services made by stores previously selling commodities.⁶

The amounts of the last two items are shown separately in the Census of Retail Trade. Estimates of nonconsumer sales are based principally on the commodity sales reports shown by the Census for nearly all kinds of business in 1939, although rather arbitrary allocations had to be made in some cases. Estimates of trade-in allowances on automobiles are based on the ratio of net to gross price of new and of used automobiles as shown by Bureau of Home Economics tabulations

⁵ Sales of retail stores are defined by the Bureau of the Census as net after deducting returned goods, and allowances, but before deducting allowances for trade-ins taken as part payment for new merchandise. Thus, an automobile dealer should report as sales the value of both the new cars he sells and of the used cars taken in trade which he resells without deducting the value of the trade-in allowances on any transactions.

⁶ Receipts from consumers for service sales are included in consumer expenditures for the appropriate group of services.

from the Study of Consumer Purchases. Trade-ins for other goods are small.⁷

Additions to Sales of Retail Stores.

In addition to their expenditures at retail stores, consumers purchase goods from other segments of the economy. Estimates of sales by wholesalers and manufacturers to consumers were obtained from the release on sales by classes of customers from the Census of Wholesale Trade and the report on Distribution of Manufacturers' Sales of the Bureau of the Census by deducting sales of construction materials and sales for farm business use.

Another addition to consumer purchases in retail stores is purchases directly from farmers.

About one-half of farmers' sales direct to consumers are through local farm dairies and are estimated by the Department of Agriculture. Other farm sales are estimates compiled by the Bureau of Foreign and Domestic Commerce with the help of Department of Agriculture specialists. These presumably include sales through farm markets, temporary roadside stands and house-to-house delivery.

Still another addition is the goods sold in service establishments. These are principally meals and beverage sales based on the Census of Hotels but also include merchandise sales from establishments covered in the Censuses of Services, Amusements, and Tourist Courts and Camps.

Consumer expenditures for construction materials must also be included when they are made for repairing owner-occupied homes where the work is done by the owner. They were estimated at 20 percent of the total expenditures for repair of owner-occupied homes.⁸ The base figure for the latter total is taken from the Study of Consumer Purchases for 1935-36.

Sales taxes collected by retailers directly from customers and paid by them directly to local or State taxing agencies were not included in retail sales in the 1939 census. The amount of sales taxes paid directly by consumers was estimated for the calendar year 1939 on the basis of sales tax reports by kind of business received directly from State governments and of the Bureau of the Census State Tax Collections reports for fiscal years 1939 and 1940.

Of the three nonmoney items included in consumer expenditures for goods, Department of Agriculture estimates were used for the value of farm production

⁷ The Department of Commerce Retail Credit Survey shows that down payments on the credit sales of household appliances average about 10 percent. Where there is a trade-in, it is usually the down payment. On the basis of this indirect evidence, 10 percent of retail sales of three commodity groups, namely stoves and ranges, household appliances, and radios and musical instruments, were deducted as trade-ins on all merchandise except automobiles in 1939. This came to 104 million dollars. In 1935, 10 percent was also used, but in 1933, 8 percent was used; in 1929, 5 percent, since trade-ins were less important in these years.

⁸ The remaining 80 percent is included under housing in consumer expenditures for services.

retained for home use, and Bureau of Foreign and Domestic Commerce figures were used for food received as wages in kind. Entrepreneurial withdrawals in kind were estimated as a part of the present study.⁹ All these imputed items of expenditures are estimated at cost or selling price—farm production at prices received by farmers, wages in kind at cost to employer, and entrepreneurial withdrawals at cost to them.

Monthly Goods Expenditures.

Monthly estimates of consumer expenditures for goods as well as annual estimates for intercensal years are based on monthly estimates of sales of retail stores. For 6 of the 10 major groups of retail stores, namely, food, eating and drinking,¹⁰ apparel, household furnishings, general merchandise, and drug. The dollars sales were used to represent the consumer expenditures for goods except that a small deduction was made from aggregate sales for the 6 groups as a whole to allow for sales not constituting consumer expenditures for goods. For the remaining 4 major retail groups of retail stores the estimates were based on their dollar sales, but they take into account different weighting and different adjustments to totals for census years.

Table 5 shows the estimates of sales and consumer expenditures for these major groups. In comparing the first half of 1941 with the first half of 1942, it will be seen that the chief reason for the 2.3-billion-dollar increase in consumer expenditures for goods with only 0.8 billion increase in sales of retail stores is the fact that

⁹ This was done on the assumption that each individual proprietorship in the retail food business, for example, fed one family which had average food expenditures. These expenditures which were at retail prices were expressed in terms of wholesale prices by using the average retail food store mark-up.

¹⁰ New series of sales of eating and drinking places and "other retail stores" groups are now being used in the sales of retail stores series, and these new series are also used in estimating the consumer expenditures presented here. Quarterly totals in the new eating and drinking series are based on sales tax receipts from eating and drinking places in four States adjusted to the 1935 and 1939 censuses; month-to-month changes are based on percentage changes from the independent store sample of the Bureau of the Census. The new "other retail stores" series is a combination of five separate series on (1) liquor stores; (2) fuel, ice, and fuel oil dealers; (3) hay, grain, feed, and farm supply stores; (4) jewelry stores; and (5) the remaining retail stores in the "other" group.

consumer expenditures at automotive stores is less than half as large as sales of automotive stores and that automotive sales declined in the first half of 1942 to less than one-third of their value in the first half of 1941.

Monthly estimates of consumer expenditures for goods not included in sales of retail stores were separately prepared and seasonally adjusted for (1) garages, (2) hotels, (3) Military Establishments, (4) the value of farm production retained for home use, and (5) for all other expenditures.

Estimates of Expenditures for Services.

For five of the eight major groups into which consumer expenditures for services have been classified in table 7 annual estimates are presented in great detail in the last article in this issue on Consumer Expenditures for Selected Groups of Services, 1929-41.¹¹

<i>Groups used in the services article</i>	<i>Corresponding groups used in this article</i>
Household utilities and communications.	Household utilities.
Services related to attire, personal appearance, and comfort.	Personal services.
User-operated transportation, purchased transportation, foreign travel.	Transportation.
Medical care and death expenses.	Medical care and death expenses.
Recreation.	Recreation.
Tuition and educational fees privately paid.	Not shown separately; included in "other services" group.
Gifts and bequests, personal remittances abroad.	Not included in estimates for goods or services but shown separately in table 1.

For the three remaining groups, housing, home maintenance, and other services, detailed estimates were prepared for 1929, 1933, 1935, and 1939 as a part of the present study. Under housing, estimates were prepared for rent paid by renters, ownership expenses including depreciation for owner-occupied homes, rent of both permanent and transient lodgers in hotels, schools, etc., but not in boarding and lodging houses.¹² Home

¹¹ In this article monthly estimates of services were prepared for eight major groups. The next article on services presents a much more detailed list of grouping.

For the convenience of the reader the following tabulation gives a reconciliation between the grouping used in the two articles.

¹² Income received from boarders and lodgers is excluded here because it is excluded from income payments.

Table 5.—Comparison of Sales of Retail Stores and Consumer Expenditures for Goods, by Kind of Business, by Years, 1935-40, and by Half Years, 1941-42

[Millions of dollars]

Kind of business	1935	1936	1937	1938	1939	1940	1941		1942
							First half	Second half	First half
Food, eating and drinking, apparel, household furnishings, general merchandise, and drug stores:									
Sales.....	21,662	24,282	26,523	25,333	26,715	28,303	14,920	18,232	17,960
Consumer expenditures for goods.....	21,346	23,901	26,079	24,882	26,212	27,748	14,622	17,865	17,593
Filling stations:									
Sales.....	1,968	2,330	2,679	2,693	2,822	2,982	1,589	1,911	1,619
Consumer expenditures for goods.....	1,245	1,461	1,660	1,669	1,746	1,844	988	1,197	965
Building materials and hardware dealers:									
Sales.....	1,864	2,374	2,687	2,480	2,735	2,987	1,655	2,067	1,928
Consumer expenditures for goods.....	294	358	401	370	396	422	231	283	277
Automotive stores:									
Sales.....	4,237	5,498	6,044	4,472	5,549	6,819	4,792	3,434	1,558
Consumer expenditures for goods.....	1,974	2,538	2,710	1,905	2,424	3,013	2,159	1,505	551
Other retail stores:									
Sales.....	3,060	3,614	4,033	3,870	4,221	4,714	2,520	3,053	3,244
Consumer expenditures for goods.....	2,046	2,438	2,722	2,639	2,886	3,241	1,676	2,120	2,118
Consumer expenditures for goods not included in sales of retail stores.....	4,256	4,676	5,013	4,734	4,879	5,054	2,719	3,256	3,202
Sales of all retail stores.....	32,791	38,098	41,965	38,848	42,042	45,807	25,476	28,697	26,309
Total consumer expenditures for goods.....	31,160	35,372	38,585	36,198	38,542	41,322	22,394	26,228	24,706

Table 6.—Consumer Expenditures for Goods and Services for Selected Periods

(Millions of dollars)

Period	Total	Goods				Services								
		Total	Included in sales of retail stores	Farm home production	Other	Total	Housing	Home maintenance	Household utilities	Personal services	Transportation	Medical care and death	Recreation	Other
1929, total.....	68,842	44,297	38,662	1,699	3,936	24,546	8,928	1,663	1,020	1,931	3,306	2,784	1,597	2,417
1933, total.....	41,144	24,085	20,515	1,023	2,547	17,059	6,924	760	1,807	992	1,745	1,812	1,033	1,986
1935:														
First quarter.....	11,389	6,807	5,845	301	661	4,582	1,739	249	509	277	446	536	279	547
Second quarter.....	12,493	7,875	6,816	317	745	4,616	1,744	259	453	312	483	517	291	556
Third quarter.....	12,360	7,641	6,573	338	731	4,719	1,752	269	424	315	578	506	301	575
Fourth quarter.....	13,033	8,235	7,671	366	798	4,798	1,768	279	494	303	497	532	340	588
Total.....	49,875	31,160	26,904	1,320	2,936	18,715	7,001	1,056	1,880	1,209	2,003	2,089	1,210	2,268
1936:														
First quarter.....	12,440	7,551	6,513	304	734	4,859	1,784	287	542	301	497	579	300	601
Second quarter.....	13,897	8,910	7,772	310	828	4,935	1,795	299	468	359	543	570	335	618
Third quarter.....	13,881	8,744	7,540	372	832	5,139	1,812	312	437	357	659	508	351	642
Fourth quarter.....	15,377	10,167	8,870	387	909	5,210	1,836	327	512	344	567	596	375	652
Total.....	55,594	35,372	30,695	1,374	3,302	20,223	7,227	1,225	1,959	1,360	2,266	2,313	1,361	2,513
1937:														
First quarter.....	13,968	8,645	7,494	319	833	5,322	1,860	348	550	337	545	677	338	666
Second quarter.....	15,278	9,891	8,642	325	924	5,387	1,890	362	488	392	596	602	377	679
Third quarter.....	15,089	9,571	8,289	383	899	5,517	1,913	363	460	394	717	583	387	700
Fourth quarter.....	15,951	10,477	9,146	384	947	5,475	1,945	357	536	366	569	595	410	697
Total.....	60,284	38,585	33,572	1,410	3,603	21,700	7,608	1,430	2,035	1,489	2,427	2,456	1,511	2,743
1938:														
First quarter.....	13,593	8,169	7,056	308	805	5,423	1,962	346	573	342	532	619	363	685
Second quarter.....	14,372	8,966	7,805	299	863	5,405	1,967	338	507	388	558	601	369	679
Third quarter.....	14,205	8,726	7,553	332	841	5,480	1,973	336	477	378	651	606	375	685
Fourth quarter.....	15,838	10,337	9,051	345	941	5,501	1,984	341	546	362	552	629	402	685
Total.....	58,008	36,198	31,464	1,283	3,451	21,810	7,886	1,362	2,102	1,470	2,293	2,454	1,509	2,733
1939:														
January.....	4,615	2,749	2,375	102	272	1,866	664	114	210	114	182	224	126	232
February.....	4,465	2,623	2,268	93	262	1,842	665	115	200	112	170	234	117	229
March.....	4,982	3,133	2,740	96	297	1,849	665	115	193	116	189	225	116	230
April.....	5,008	3,163	2,767	94	302	1,846	667	115	185	120	190	214	124	230
May.....	5,130	3,283	2,877	97	309	1,847	667	116	174	130	198	207	124	231
June.....	5,036	3,187	2,786	96	305	1,850	669	116	168	134	210	205	116	232
July.....	4,847	2,970	2,580	101	289	1,877	667	116	162	129	233	203	131	236
August.....	4,968	3,096	2,692	106	298	1,872	671	116	161	124	235	202	126	236
September.....	5,232	3,347	2,916	116	315	1,884	673	117	169	127	218	206	137	238
October.....	5,322	3,437	2,999	124	314	1,884	675	118	176	126	195	210	146	238
November.....	5,252	3,383	2,954	113	316	1,870	675	119	188	120	180	213	137	237
December.....	6,078	4,172	3,710	106	356	1,906	672	120	201	120	194	228	129	241
Total.....	60,935	38,542	33,663	1,244	3,635	22,393	8,081	1,397	2,187	1,472	2,394	2,572	1,531	2,809
1940:														
January.....	4,956	2,999	2,612	100	287	1,956	678	122	224	117	185	243	141	248
February.....	4,862	2,902	2,528	94	280	1,960	680	123	218	116	173	255	148	248
March.....	5,323	3,362	2,958	93	311	1,962	680	124	206	123	197	244	138	249
April.....	5,271	3,328	2,920	94	314	1,944	684	126	194	129	189	233	142	247
May.....	5,433	3,499	3,078	96	325	1,934	683	127	184	136	195	224	136	248
June.....	5,342	3,404	2,995	94	315	1,939	684	133	177	142	204	220	128	249
July.....	5,158	3,212	2,808	101	303	1,946	684	133	171	133	202	221	149	251
August.....	5,369	3,413	2,989	103	321	1,956	689	129	171	133	214	219	147	253
September.....	5,334	3,360	2,938	112	310	1,974	691	126	177	137	208	220	159	256
October.....	5,675	3,689	3,228	125	336	1,986	694	123	185	133	201	224	169	257
November.....	5,674	3,706	3,252	113	341	1,968	693	122	200	129	185	224	158	256
December.....	6,466	4,450	3,962	107	381	2,017	692	122	218	129	199	238	156	262
Total.....	64,804	41,322	36,268	1,233	3,821	23,542	8,232	1,512	2,324	1,559	2,352	2,706	1,773	3,024
1941:														
January.....	5,373	3,316	2,896	101	319	2,057	698	123	230	128	190	259	162	267
February.....	5,253	3,188	2,785	94	309	2,065	701	123	221	129	183	271	169	268
March.....	5,771	3,725	3,279	97	349	2,047	701	123	214	132	212	263	135	267
April.....	6,060	3,973	3,501	101	371	2,087	707	126	204	151	210	249	168	272
May.....	6,271	4,217	3,720	107	390	2,053	708	132	191	152	215	240	145	271
June.....	6,048	3,975	3,494	108	373	2,074	710	133	185	156	218	240	157	275
July.....	6,063	3,949	3,456	116	377	2,114	712	134	181	158	232	241	175	280
August.....	6,340	4,247	3,718	130	399	2,093	719	130	181	153	241	241	150	279
September.....	6,316	4,216	3,681	143	392	2,100	723	129	188	159	222	244	156	280
October.....	6,459	4,309	3,751	152	406	2,150	729	129	198	156	222	250	182	285
November.....	6,388	4,233	3,693	139	401	2,155	733	134	216	151	210	251	175	284
December.....	7,487	5,274	4,673	134	467	2,213	732	134	235	148	234	266	174	289
Total.....	73,828	48,621	42,647	1,421	4,554	25,207	8,574	1,548	2,444	1,772	2,589	3,014	1,948	3,319
1942:														
January.....	6,340	4,097	3,566	124	407	2,244	739	136	260	148	221	278	170	292
February.....	5,862	3,648	3,165	113	370	2,214	742	135	243	146	206	284	172	287
March.....	6,449	4,203	3,679	117	407	2,246	745	140	234	152	230	279	176	288
April.....	6,557	4,281	3,731	123	427	2,276	752	144	220	166	239	270	197	290
May.....	6,536	4,253	3,701	123	430	2,282	754	147	207	175	258	262	191	288
June.....	6,619	4,230	3,666	128	435	2,289	750	148	198	179	263	261	203	287

maintenance includes domestic service; moving, express, and freight; insurance, storage, cleaning, repair, and other services to household furnishings.

The "other services" group includes private fees for education; interest on consumer loans other than mortgages; that part of life-insurance premiums which repre-

sents costs of selling and handling of insurance and settling claims; certain occupational expenses such as union and professional association dues, employment agency fees, stock brokerage fees, and payments for property management; and miscellaneous items the chief of which is legal expenses.

Table 7.—Indexes of Consumer Expenditures for Goods and Services for Selected Periods

[1935-39=100]

Period	Unadjusted			Adjusted for seasonal variations													
	Total	Goods ¹	Services	Total	Goods ¹				Services								
					Total	Included in sales of retail stores	Farm home production	Other	Total	Housing	Home Maintenance	Household utilities ¹	Personal services	Transportation ¹	Medical care and death	Recreation	Other
1929, total.....	120.9	123.1	117.1	120.9	123.1	123.7	128.1	116.3	117.1	118.2	128.5	94.5	137.9	145.2	117.1	112.1	92.5
1933, total.....	72.3	67.0	81.4	72.3	67.0	65.6	77.1	75.2	81.4	91.7	58.7	88.9	70.8	76.7	76.3	72.6	76.0
1935:																	
First quarter.....	80.8	76.7	87.7	85.3	84.4	83.8	98.9	84.2	87.1	92.0	77.2	90.2	85.3	84.8	83.6	82.0	83.9
Second quarter.....	87.6	87.4	88.1	86.4	85.3	83.3	103.9	86.3	88.4	92.4	80.1	92.7	84.3	85.5	88.3	83.4	85.2
Third quarter.....	86.5	84.6	89.9	88.1	87.0	86.6	96.7	87.4	89.9	92.9	83.1	93.3	87.2	89.3	89.2	83.3	88.1
Fourth quarter.....	95.4	97.8	91.4	90.0	89.1	88.7	99.4	88.9	91.7	93.6	86.0	94.7	88.9	91.6	90.9	90.5	89.9
Total.....	87.6	86.6	89.3	87.6	86.6	86.1	99.5	86.7	89.3	92.7	81.6	92.5	86.4	88.0	87.9	84.9	86.8
1936:																	
First quarter.....	87.4	84.0	93.3	92.3	92.1	91.9	99.1	92.0	92.7	94.4	88.7	94.8	92.5	93.5	90.5	88.4	91.9
Second quarter.....	97.8	99.3	95.2	96.2	96.7	96.5	101.8	96.2	95.4	95.1	92.4	95.5	96.7	96.2	97.4	96.1	94.6
Third quarter.....	97.1	96.6	97.9	98.9	99.7	99.4	106.4	99.5	97.7	96.2	96.6	96.3	98.5	101.4	100.2	97.3	98.2
Fourth quarter.....	107.5	112.3	99.2	101.6	102.7	102.7	105.4	101.0	99.7	97.3	101.0	98.5	100.5	105.5	101.8	99.8	99.9
Total.....	97.6	98.3	96.4	97.6	98.3	98.2	103.6	97.6	96.4	95.7	94.7	96.4	97.1	99.5	97.3	95.6	96.2
1937:																	
First quarter.....	98.9	97.2	101.9	103.7	105.1	105.0	105.6	105.3	101.3	98.5	107.6	97.5	103.5	104.7	105.8	99.6	102.1
Second quarter.....	107.4	110.1	102.9	106.7	108.8	109.0	106.5	107.2	103.1	100.1	111.9	99.8	106.0	105.9	102.8	107.9	103.9
Third quarter.....	105.6	105.8	105.1	107.9	109.7	109.9	109.4	107.8	104.7	101.5	112.3	101.2	108.5	108.9	102.9	107.2	107.2
Fourth quarter.....	111.5	115.8	104.3	105.1	105.3	105.3	104.1	105.3	104.7	103.0	110.2	103.0	107.0	105.4	101.7	109.0	106.7
Total.....	105.9	107.3	103.5	105.9	107.3	107.4	106.3	106.4	103.5	100.8	110.5	100.1	106.3	106.6	103.3	106.1	105.0
1938:																	
First quarter.....	96.4	92.1	103.8	101.9	101.0	100.9	101.4	102.4	103.3	103.9	106.9	101.4	105.3	102.3	96.8	107.7	104.9
Second quarter.....	101.1	99.8	103.2	100.3	98.4	98.3	97.8	100.2	103.5	104.2	104.6	103.4	104.9	99.0	102.6	105.4	103.9
Third quarter.....	99.4	96.5	104.4	101.5	99.8	99.9	95.1	100.9	104.3	104.6	104.1	105.1	104.4	99.8	106.8	103.9	104.8
Fourth quarter.....	110.6	113.9	104.8	103.7	102.9	103.2	93.8	104.1	105.2	105.1	105.4	105.0	105.7	102.0	107.7	106.9	104.8
Total.....	101.9	100.6	104.0	101.9	100.6	100.7	96.7	101.9	104.0	104.4	105.3	103.4	105.0	100.7	103.2	105.9	104.6
1939:																	
January.....	97.4	92.2	106.4	104.9	104.5	104.8	95.9	105.0	105.7	105.3	106.0	106.2	105.8	105.2	106.3	105.7	106.4
February.....	99.2	94.5	107.3	105.1	104.7	104.9	96.7	105.6	105.7	105.5	106.5	107.2	105.0	104.6	107.0	105.8	105.2
March.....	102.5	100.8	105.4	105.2	105.2	105.6	95.8	105.6	105.1	105.8	106.6	107.1	95.9	102.0	106.8	107.6	105.4
April.....	107.2	107.9	105.9	106.2	106.6	107.1	93.8	106.8	105.4	105.9	106.8	107.3	100.5	103.4	106.7	104.8	105.5
May.....	106.6	107.4	105.3	106.0	105.7	106.2	94.7	105.7	106.4	106.1	107.1	107.5	105.2	106.0	107.4	106.3	106.0
June.....	106.3	106.4	106.2	105.9	105.6	106.0	93.1	106.5	106.5	106.4	107.2	108.2	105.4	107.8	107.0	101.9	106.6
July.....	101.9	99.0	107.0	106.9	106.9	107.6	91.5	106.0	107.1	106.4	107.6	107.7	105.9	107.9	106.7	107.7	108.4
August.....	102.3	99.7	106.7	106.6	106.3	106.8	92.0	106.8	107.1	106.7	108.0	108.1	104.3	105.9	107.6	108.8	108.3
September.....	111.2	112.9	108.2	109.3	110.1	110.6	93.7	111.2	107.8	106.9	108.8	109.1	104.4	106.0	109.0	111.1	109.2
October.....	111.3	113.6	107.4	108.3	108.9	109.5	93.0	109.2	107.4	107.0	109.4	108.4	106.1	102.2	109.8	109.1	109.3
November.....	112.0	114.8	107.3	109.5	110.4	111.1	93.3	109.9	107.9	107.1	110.3	109.1	106.5	103.3	111.0	110.0	108.8
December.....	128.3	139.8	108.7	110.9	112.1	112.9	93.9	111.3	108.8	107.3	111.2	108.2	108.6	104.8	113.5	110.1	110.8
Total.....	107.0	107.1	106.8	107.0	107.1	107.7	93.8	107.4	106.8	106.4	108.0	107.6	105.2	105.2	108.2	107.5	107.5
1940:																	
January.....	103.0	98.1	111.5	110.9	111.1	112.0	94.2	108.6	110.6	107.5	112.8	113.2	108.0	105.5	115.5	118.3	113.7
February.....	105.3	100.6	113.3	111.5	111.4	112.4	93.9	108.7	111.6	107.8	114.1	112.7	109.0	101.9	116.7	133.0	114.0
March.....	111.0	110.5	111.9	113.0	113.5	114.5	93.0	112.0	112.2	108.2	115.4	114.2	110.8	106.9	115.9	127.6	114.2
April.....	111.3	111.1	111.6	111.0	111.1	112.0	94.7	109.2	110.9	108.4	116.7	112.3	108.1	102.5	115.9	120.5	113.6
May.....	113.0	114.5	110.3	112.4	113.1	114.1	94.2	110.9	111.3	108.7	118.1	114.0	109.8	103.5	116.1	116.3	113.7
June.....	114.3	116.1	111.3	113.9	115.2	116.5	90.7	111.7	111.6	108.9	123.6	113.9	112.4	103.9	114.8	112.7	114.5
July.....	107.2	105.0	110.9	113.1	113.8	115.1	91.0	109.9	111.8	109.0	123.7	113.6	109.4	98.3	116.4	122.6	115.4
August.....	110.1	109.3	111.5	115.6	117.2	118.6	89.5	113.9	112.8	109.6	120.0	115.0	111.6	101.4	116.8	126.6	116.3
September.....	115.8	117.3	113.3	113.4	113.5	114.6	90.7	112.4	113.3	109.8	116.9	114.5	112.9	103.8	116.2	129.3	117.5
October.....	116.8	118.8	113.3	113.4	113.5	114.2	93.9	114.3	113.2	110.0	114.3	114.2	112.4	104.6	117.2	126.2	118.1
November.....	120.6	125.1	113.0														

on and off so as effectively to control the general price level and avoid critical shortages. Estimates of the inflationary gap (i. e., the excess purchasing power that would exert upward pressure on prices) are always uncertain since they are based on fluctuating habits of saving, and therefore it is impossible to know just how much purchasing power to withdraw. Also, tax legislation is slow to be enacted, and even when enacted its incidence is debatable.

In recognizing the force of these arguments, one should not overlook the potential danger involved in this procedure. If an adequate fiscal policy is withheld until the way for it has been smoothed by rationing and price control, it may be withheld too long. With inflation temporarily averted by maximum price regulations and with consumer demand curtailed by rationing, it will be all too easy to assume that no harm can come from financing the war largely through an expansion of currency and credit. The excess purchasing power thereby created is of no concern, it is said, for since it cannot be spent it is effectively immobilized. This facile argument overlooks the fact that these enforced liquid savings will create an unbearable pressure on price ceilings, and that even though the price regulations are effectively enforced the conditions which would merit their abandonment might never return.

Conclusions on War Finance.

The foregoing considerations point to certain general conclusions with regard to the financing of the war.

(1) The war should be financed as largely as possible though not entirely by taxation. This obviates inflation, minimizes post-war debt problems, and lessens the necessity for extensive and prolonged price controls and rationing throughout the entire economy.¹⁵

(2) Any remaining excess purchasing power in the hands of individuals should be absorbed by Government bond purchases—

¹⁵ That is, it obviates the inflation which would tend to come if billions of dollars of excess purchasing power were left free to exert a growing pressure on prices. It does not, of course, obviate the price rises which stem from increased costs. Increases in some costs are inevitable in wartime, probably overbalancing the possible decrease in other costs. But the elimination of excess consumer demand, which makes high prices and hence high factor costs possible, removes the essential basis of inflation. It does not touch those points in the President's 7-point anti-inflation program which do not concern war financing.

made compulsory if and when necessary. Unless the bonds so bought immobilize purchasing power until such time as it can safely be released, the object of their sale is to that extent defeated.

(3) Funds needed by the Government over and above those raised by taxation and by bond sales to individuals can be raised by bond sales (perhaps compulsory, though here compulsion is less necessary for obvious reasons) to corporations, insurance companies, savings banks, fiduciaries, etc.

(4) If these sources do not fully meet the government's monetary needs, as they normally would, any additional sums can safely be raised by bond sales to the commercial banks.

(5) Depending upon the willingness of the people consciously to make sacrifices which cannot in any case be avoided, it might be deemed wise procedure to immobilize excess purchasing power first by means of over-all price controls and general rationing, and then second divert these unusable funds to the Government by taxation and borrowing. Rationing can of course also serve as a complement to fiscal policy in distributing the necessary war sacrifices.

Sound answers to the question of how a war should be financed have been given time and again, but they cannot be stressed too often if our Nation is actually to avoid inflation for the first time in financing a major war. We learned by experience in the Civil War what we already knew—that the creation of fiat currency leads to inflation. We learned by experience in the World War what was already well known—that bank credit expansion has the same potential inflationary effect as currency inflation and can be as dangerous in the post-war as in the actual war period. In this war we should not have to learn by experience what is already obvious—that unless the tremendous stream of excess purchasing power is diverted into the Treasury's war chest by taxes and immobilized savings, the problems created by the necessity for impounding it and sterilizing it will be virtually as perplexing and disruptive as the problem of inflation itself. Moreover, the whole inflation threat and the battle to control it could well be prolonged into the indefinite post-war future.

All are agreed that these pitfalls must be avoided. In the post-war world, America's role will be too important for us to enter the reconstruction period in anything short of the soundest possible economic condition.